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ABSTRACT

This monograph presents recommendations for college and university trustees regarding endowment spending policies. The recommendations include how to set investment goals, assess the reasonableness of investments, and judge when to use endowment funds for high priority needs. A systematic method for determining how much to spend annually from gifts and endowments is offered even though, traditionally, institutions have been reluctant to spend funds from gifts and endowments even though endowments have grown while tuition and other charges have risen. It is proposed that institutions create realistic scenarios for five year periods of both current and future fiscal conditions and that these scenarios include assessment of the physical needs of the campus as well as of revenue potentials. The paper urges analysis of expenses against the growth rate of the administration, scholarship funds, faculty size and course load, operating budgets, rate of salary increases, and adequacy of reserves. Charts show changes in endowment market value from fiscal year 1983 to fiscal year 1982; a sample analysis of an endowment surplus assuming that all gifts and transfers are added to the surplus, that gifts fund new programs, and that transfers are added to surplus. (JLS)

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Association of Governing Boards
of Universities and Colleges

Integrating Endowment and Budget Planning

By Myron P. Curzan
and Louis H. Katz

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Executive Summary

Impressive gains in endowment earnings have had little effect on the operations of colleges and universities. Institutions have not limited tuition increases nor have they used the gains to repair deteriorated infrastructures or to eliminate cutbacks in academic programs.

Conventional wisdom says endowment spending policies must retain the real economic value of their endowments over long time horizons. Trustees are urged not to be tempted to spend endowment dollars for short-term fixes or to cope with operating deficits. In general, the authors do not disagree with this philosophy; rather they believe there should be a regular review of the endowment and a methodology established that senior administrators and trustees can agree upon to determine what excess dollars are available from the endowment that can be used for investments in programs, infrastructure, or other high priorities of the institution.

The authors recommend how prudent trustees should set investment goals and assess the reasonableness of investments—and the advice of investment managers—against these goals. They suggest a method to address systematically how much can and should an institution spend each year from gifts and endowments and what should it do with "surpluses"—that is, returns that exceed the amounts required to be expended and returns that should be added to the endowment to maintain its constant buying power.

An institution should be prepared to create realistic scenarios, the authors say—five-year assessments—both of its current and future fiscal picture and of the physical state of its campus.

Integrating Endowment and Budget Planning

By Myron P. Curzan and Louis H. Katz

Over the past decade, the endowment and quasi-endowment funds of most colleges and universities have soared. Many such funds have doubled or tripled in value. For example, Harvard's funds have increased by approximately 125 percent, Yale's by 160 percent, and Washington University's by about 230 percent.

Significant increases are not limited to just a few elite universities. If one looks at the growth rate of funds for schools with the 100 largest endowments over the past decade, the average return for all but a handful of them exceeds 100 percent (see Chart 1 on page 15). In the case of our own institution—The George Washington University—the endowment fund has increased by more than 200 percent during the past decade. Similarly, the University of Miami's endowment has grown by more than 300 percent and Penn State's by more than 900 percent.

It is astonishing that these impressive gains have had so little effect upon the operations of the associated colleges and universities. They have not limited tuition increases; in fact tuition and room and board have risen 32 percent higher than inflation for public institutions and 55 percent higher than inflation for private institutions from 1980-91, according to U.S. Department of Education figures. Neither have the gains been used by most colleges and universities to repair their deteriorated infrastructures or to eliminate the cutbacks in academic programs.

Why is this so? Why do so many colleges and universities feel poverty stricken and apprehensive about their futures while their endowments are growing? We believe that this lack of certainty or clarity of vision can be attributed to many trends and events. And while we certainly do not believe that all of the problems of colleges and universities can be fully resolved by a reliance on endowment funds, we would suggest that a number of them can be ameliorated by a more propitious use of these same funds.

Conventional wisdom has called for senior administrators and trustees to utilize endowment spending policies to retain the real economic value of their endowments over long time horizons. Trustees are urged not to be tempted to spend endowment dollars for short-term fixes or to cope with operating deficits. In general, we do not disagree with this philosophy; rather we believe that there should be a

regular review of the endowment and a methodology established that senior administrators and trustees can agree upon in determining what excess dollars are available from the endowment that can be used for investments in programs, infrastructure, or other high priorities of the institution.

The State of Colleges and Universities

To say that this is a difficult time for the country's educational institutions is to seriously understate the problem. Scarcely a week goes by without some critique of their administrations, their academic performance, or their activities. The motivation for these attacks can be illustrated by a few facts:

- Over the past decade, tuition for both public and private institutions has doubled.
- Nationally, the percentage of general revenues that state higher education appropriations represent has declined, from 11.3 percent in 1980 to 9.2 percent in 1992, according to the American Council on Education.
- The amount of federal grant aid to students and their institutions has dropped in absolute dollars from 1980-91. Again, there are no signs of an imminent reversal.
- The public perceives that full professors teach few undergraduates and that students are not receiving full academic value.

How have colleges and universities dealt with these facts? The reactions have been diverse. Some have blithely assumed that room, board, tuition, and annual gifts will continue to increase, thereby permitting the institution to "grow" its way out of the problems. Others have mandated personnel cuts across the board—generally with only minor reductions in faculty. Still others have begun a reengineering process designed to eliminate specific positions as well as entire academic departments or units. But in far too few instances have there been "bottom up" analyses of the type undertaken by this country's corporate giants, which have substantially downsized over the past few years.

Why is this the case? The answer is that most education institutions experience difficulty in undergoing change because they are owned by no one; in fact, their "ownership" is difficult to define. As a result, virtually everyone associated with a college or university believes he is entitled to some of the decision-making perquisites of ownership.

Universities are composed of stakeholders, each of which believes its interests are identical to the best long-range interests of the

institution. Faculty combine to form an academic senate, which they believe represents the beating heart of the university. Students assert "consumer" interests as customers purchasing a service. Alumni urge a continuation of the status quo. Administrators, deans, and staff see themselves as the enduring, residual body.

Thus, presidents, provosts, and vice presidents of administration or finance often find themselves serving as arbiters presiding over a noisy group of petitioners. Similarly, the faculty usually discovers that their real interests are in their academic disciplines or in the constraints that may be placed on their privileges. As for students and staff, they too find their interests are narrower than those of the institution. All of these stakeholders are rarely able to take the kind of responsibility for their institutions that would allow them to make the binding and far-reaching decisions that their corporate counterparts routinely make.

The result is that there is no real constituency for financial, academic, or administrative discipline. The brave administrator who attempts to impose discipline over these unruly groups risks academic censure, student displeasure, and a lack of board support.

Decisions regarding the use of endowments take place within this cultural context. We suggest that there are ways of structuring decisions about endowment use that can aid administrators in the task of imposing financial discipline upon their constituent subgroups. In brief, the process through which endowments are committed force choices about how scarce resources should be expended and can assist an institution in making thoughtful and disciplined choices in their restructuring efforts.

The Use of Endowment Funds

Traditional Approaches. In reviewing the literature on endowments, we have been struck by the uniformity of the discussions. Most articles discuss (1) how a reasonable and prudent person should invest endowment, (2) whether yield on the endowment or total realized gains or total return (including unrealized gains) can be used as a measuring rod for determining what portion of the fund can be expended for operating purposes, and (3) what percentage of the endowment should reasonably be spent by the college or university.

The responses to these defining issues are relatively straightforward. A reasonable and prudent investment strategy is a mixture of bonds, stocks, and higher risk ventures, including investments in real estate. So long as the investment mixture falls within the bounds of what recognized and experienced investment managers would recom-

mend for a fund the size of the endowment in question, the specific investment decisions will in all probability meet the prudent-person standard. What these responses do not deal with, however, is how the prudent person (or trustee) should set investment goals to strive for and how this trustee should assess the reasonableness of investments—and the advice of investment managers—against these goals.

As for the second question—how investment returns should be measured—it would appear that the broadest definition of return on endowment funds has been generally accepted. Thus, when assessing how an endowment has performed either on an annual or multiyear basis, the generally recognized approach is to aggregate its current yield, its realized gains, and its unrealized gains—in short, the endowment's total return. But this fails to come to grips with the more basic question: If we select the most far-reaching definition, how should colleges and universities use these earnings and the appreciation of the underlying assets?

The process through which endowments are committed force choices about how scarce resources should be expended and can assist an institution in making thoughtful and disciplined choices in their restructuring efforts.

That, of course, brings us to the third part of the trinity, namely, how much should an institution be permitted to spend from its total return on operating expenses or for other pressing needs? The seemingly simple answer is that most institutions utilize what former Dartmouth President John Kemeny refers to in his pace-setting piece, "The Mystique of University Endowments," as a "magic" number (*AGB Reports*, January/February 1983). As Kemeny points out, this magic figure usually comes out to approximately (1) 5 percent of last year's endowment, or (2) a percentage of the rolling average of the endowment over a three-to-five-year period, or (3) a preset percentage of the endowment, so long as the endowment has grown by at least the rate of inflation.

This response, however, fails to address the fundamental question of what amount of endowment should be expended either to balance a realistic operating budget or to deal with a *one-time* cost of rehabilitating a tired-old infrastructure or to structure early retirement packages for tenured academicians the institution no longer can afford to keep. Neither does it respond to the question of how the restricted and unrestricted funds raised during a periodic endowment drive should be treated and what uses should be stressed in undertaking any such campaign.

In short, what many institutions are failing to address systematically is how much can and should it spend each year from gifts and

endowments and what should it do with "surpluses"—that is, returns that exceed the amounts required to be expended and returns that should be added to the endowment to maintain its constant buying power. What makes this question so relevant is that during the last decade, most endowments have built up substantial surpluses, while the institutions they were meant to sustain have been undergoing apparent fiscal and facilities crises.

There have been several noteworthy examples over the past few years of this phenomenon. From 1983-93, Yale was building a substantial endowment surplus while permitting its facilities to go largely unattended and eliminating some of its departments in an effort to reduce operating expenses. Similarly, at Stanford, the October 1989 earthquake necessitated repairs to campus buildings to the tune of more than $150 million. And while the university has indicated that a gap of some $100 million will remain after expending money from reserves, gifts, and commitments from the Federal Emergency Management Agency—a gap that will have to be filled by fund-raising and borrowing—the university in fact has a significant endowment surplus.

One reason so many institutions are unwilling to spend their surplus to solve "one time only" problems is that they are afraid these dollars will be used to meet normal operating expenses and will force them to make similar payments year after year.

(Representatives of these institutions as well as trustees of other endowments may argue that the bulk of their funds have been donated for a specific or restricted purpose and are not available to meet the general needs of the institution. In our experience, this contention is only partially accurate. Most restricted funds have a broad enough range of purposes that they can be used under current accounting rules to replace unrestricted expenditures being borne by the institution. Under these circumstances, the dollars currently being used for unrestricted purposes then can be reprogrammed for other essential needs of the institution.)

What do these institutions expect to do with their endowments? For what purpose are they raising these funds and saving them? One reason so many institutions are unwilling to spend their surplus to solve "one time only" problems is that they are afraid these dollars will be used to meet normal operating expenses and will force them to make similar payments year after year. Others believe there is some "rainy day" still ahead, at which time all of these stored resources will be required. What most of these institutions lack is the discipline to prepare realistic budgets and determine what gap exists between revenues and expenses and for how long. Similarly, many of them lack

the will to assert that their surplus funds will be utilized on a one-time basis to, for example, repair deteriorated buildings or ancient infrastructures.

Why should an institution expend its endowment to repair its campus? First, a college or university campus needs to maintain its facilities not only to continue to appear viable, but also so that the best students will choose to attend and new high-quality professors can be recruited. And second, because assets on a balance sheet are made up of endowment and plant, it is as logical to spend dollars on improving plant as it is to keep these funds in an endowment.

A Suggested Method of Analysis

In keeping with our approach to answering the foregoing questions, we would suggest a somewhat more complex approach to raising and expending endowment. We believe that an institution should be prepared to create realistic scenarios—that is, five-year assessments—both of its current and future fiscal picture and of the physical state of its campus. Although some higher education institutions generate these budgetary outlooks, the great majority at best pay lip-service to the types of assessments that are required.

Analyze Revenues. Assessing its revenue potential, a college or university must be brutally honest with itself, realistically addressing the following issues, among others:

- the number of students it will be able to attract;
- the amount of tuition, fees, room and board it will be able to collect, less the financial aid it will need to provide;
- the research dollars it will be able to obtain in light of federal cutbacks; and
- the historically grounded amount of gift revenue it will be able to commit to current operations.

Once this task has been completed, the institution should benchmark its revenues against those of peer institutions. To the extent that these revenues are less than those of other institutions, it is incumbent on the school's administration to determine why this is the case and whether they can set the institution on a course designed to match its peers. In their attempt to reach parity, they should create a scenario—*against which they are prepared to be judged*—that reaches equality with their peers within a five-year period.

To the extent that the revenues of the peer group are less than those of the measurer, it is absolutely crucial that this difference be analyzed. Can the institution maintain this differential, or is it des-

tined to find its revenues decreasing over time? If a determination is made that there is a strong possibility of a decrease in revenues, then a third scenario showing these reductions must be charted.

Analyze Expenses. In analyzing its expenses, an institution should address the following issues, among others:

- the growth rate of the administration over the past five years and whether such growth is justified;
- the amount of funds committed to scholarships and whether these funds should be awarded as grants or loans—particularly in cases where the institution is committed to admitting students on a need-blind basis;
- the size of the faculty and its course load in proportion to the student body;
- the size of the institution's and its subunits' operating budgets, with particular focus on auxiliaries;
- the rate of salary increases and how this compares with the Consumer Price Index; and
- whether adequate reserves have been established to maintain and repair the institution's physical facilities.

In making these assessments, the institution should attempt to look not only at its peer group but also at the market as a whole, particularly with regard to its auxiliary activities; thus, in determining whether the operating costs of running its housing are appropriate, the college or university must first look to the charges being experienced by its peer institutions and then also at the costs experienced by the best managed for-profit or not-for-profit entities in the area.

With this and other information in hand, the institution then can create several five-year expense budgets. The first of these should be based on customary growth of current expenditures. The second should be grounded on the expenses being experienced by peer institutions, and a third should be a budget that incorporates all of the best practices in the operating categories under consideration. In measuring these different expenses, the institution's administration must be prepared to recognize that entirely different types of operating procedures and budget protocols may be used by peer-group members—for example, profit-and-loss centers or responsibility centers.

Consequently, they must analyze these approaches and select the most appropriate for their institution. Picking the right approach will depend upon how various units within the institution are interrelated programmatically, the resources available, and the need for a change in the institution's culture.

Analyze Physical Facilities. The institution's administrators should be prepared to assess the state of the school's physical facilities. This assessment should prioritize immediate and long-term tasks. What the institution needs to know is how serious the deferred maintenance is and how it can catch up in the task of maintaining one of its most precious elements—its buildings and infrastructure.

Budget Analysis Decision Making. With these tasks completed, the institution is ready to proceed with the creation of a long-term budget. Note, however, that we have not yet dealt with one item of revenues—earnings from endowment. This is because within certain boundaries, we view this as a "plug figure." That is not to say that the college or university administrator has unlimited discretion. Rather, we would suggest that he or she take either a basic figure—for example, 5 percent of a rolling average of the endowment—or select a figure that equals last year's interest and dividend contributions aggregated with the rate of inflation and use the larger figure in budgetary plans so long as the institution's endowment is increasing at a rate that matches inflation. With this number, an administrator can "plug" the amount into each of the budgetary scenarios. If the plug works, he or she has only one other task—that is, to determine how any endowment surplus can be fit against deferred maintenance or some other major problem. If the plug does not work, then the administrator must determine how much surplus would be required—and over what time period—to balance the institution's budget.

It is essential to this concept that all of the planning scenarios be brought to the president of the college or university and through the president to the board of trustees, with the initial point of contact being the appropriate committee of the board. It is ultimately the board's responsibility to select a budgetary scenario and decide how much endowment surplus should be committed to solving the highest priorities of the institution. It is management's role—and particularly the responsibility of the institution's president—to give the trustees the best and most thoroughly considered analysis on what dollars are required to keep the institution in the forefront of its particular peer group and from where those funds will come.

In short, it is the board that must take management's recommendations and determine how much endowment return will be required to meet both operating and one-time expenses. It is the board and management that must decide whether a fund-raising drive is necessary and, if so, how much emphasis must be placed on obtaining unrestricted or restricted dollars. And it is the board that must assess the prudence of the investment strategy selected by management against the revenue targets that must be achieved.

An Example of the Process at Work

To demonstrate how this analytical process might work, we will use data from a hypothetical university. We'll assume the university has seen its endowment grow over the past decade from $145 million in 1984 to $330 million in 1993.

This growth consists of returns on the endowment plus newly endowed gifts and transfers less the spending rate, which currently is set at 5.5 percent of a three-year moving average of the endowment's market value.

We then can compare the cumulative endowment growth to the growth that should have taken place if the funding were to increase at only the inflation rate represented by the CPI. In short, a methodology to analyze an institution's endowment surplus should be a process of establishing boundaries within which the acceptable endowment surplus will lie. To illustrate why, we use the terminology of acceptable endowment surplus from a statement by Professor Henry Hansmann ("Why Do Universities Have Endowments?" *Journal of Legal Studies*, January 1990):

> *Universities can influence, through their solicitation practices, the extent to which their gift income is restricted to endowment. And through their accounting practices and spending rules, universities can determine, within relatively broad bounds, whether income on endowed funds accumulates or is spent currently. Thus a substantial portion of endowed funds have been accumulated by institutional discretion and not donor command.*

Chart 2 on page 15 and charts 3 and 4 on page 16 are examples of the analysis applied to the hypothetical university's endowment. Chart 2 assumes that all new money into the endowment is fungible; it would clearly result in the largest surplus. This iteration produces an unrealistic extreme in that approximately $118 million of surplus is significantly greater than the institution's quasi-endowment.

(A true endowment or restricted fund may be established only by a donor and can never be expended. To the extent that it can be invaded or that its income or realized appreciation can be expended, the expenditure must fall within the ambit of the donor's intent. Funds functioning as endowment or quasi-endowment funds are created by the designation of an institution's trustees. As a result, these dollars can be spent in an unrestricted fashion at the board's discretion.)

Chart 3 assumes that new endowed gifts fund new programs and are not fungible with existing programs, while transfers to the endowment are fungible and could be spent. This results in a surplus of $67 million about equal to our hypothetical institution's quasi-endowment.

Chart 4 assumes that all gifts and all transfers are needed to fund new programs and are not fungible. This results in the lowest surplus of $31 million.

We believe that this methodology for determining an acceptable endowment surplus is, in fact, quite useful. No one would argue that Charts 2 and 4 are not extremes because it is illogical to assume that all money is fungible or that no money is fungible. If we reject Charts 2 and 4 as not appropriate, this should lead us to Chart 3, which must now be tempered with reality. Thus, institutions must look to what percentage of their endowment is quasi-endowment. For most institutions, the dollar-weighted mean of their quasi-endowment will be approximately 35 percent, according to the *1993 NACUBO Endowment Study*.

Institutions also must analyze their liquidity needs, covenants, and ratio tests in bond indentures, and to the extent that their debt is rated, the concerns of the rating agencies. In addition to this reality check, it is useful to test the analysis over different time periods to help mitigate market and/or gift flow aberrations.

More important than assessing the size of the surplus is deciding what should be done with these funds, even assuming that much of the growth came in so-called "restricted funds." To quote again from John Kemeny's *AGB Reports* article:

> *A key idea is that in good years a portion of the investment revenue should be placed into a stabilization fund to be drawn upon during poor years.... And when the stabilization fund is drawn upon, it is clear that the trustees are using savings from the past and not "touching principle."*

Kemeny wanted these funds to be used to meet shortfalls in endowment returns during a particular year. For our part, we would argue that this surplus—or at the least the earnings on this surplus—should be used not simply to stabilize annual returns on endowment but also to deal with one-time or *short-term* problems. Thus if revenues, when carefully planned, fail to meet expenses that are planned equally carefully, and there is a properly considered end to these losses, then we would suggest an expenditure of surplus.

Similarly, when the university finds its buildings in a state of disrepair, it should be prepared to use all or a portion of its surplus endowment to begin the process of replacing or fixing its infrastructure. Equally important, it also should follow another proposal of Kemeny's—namely to fund-raise against a project under which both the yield *and* the principal donated to this fund might be expended over the decade in issue.

Conclusion

In another piece John Kemeny wrote for *AGB Reports*, "The Mystique of University Endowments (March/April 1983), he said: "Whether a university has a 'balanced budget' is enormously influenced by board decisions on investment, endowment utilization, and allocation of unrestricted gifts. Without evaluating these decisions, the assertion of a 'surplus' or 'deficit' is meaningless."

We agree: In the context of a college or university, a "balanced budget" is a somewhat arbitrary matter. To help a board make intelligent choices, an institution's leadership must be prepared to create alternative realistic budgetary scenarios as a backdrop for decision making. Only through this type of disciplined effort by both parties—management and trustees—can education institutions impose upon themselves the responsible use of their long-term financial nest egg—the school's endowment.

As a corollary, we believe it is irresponsible not to engage in this planning activity. No private corporation would fail to analyze its assets and liabilities in this way. Indeed, no prudent family would ignore the use of savings in dealing with a financial crisis. College and university administrators and trustees must fully integrate endowment and budget planning to serve the long-range interests of the university. If they can be correctly aligned, then both the institution and its endowment can expect to prosper over the long run.

About the Authors

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Chart 1

Change in Endowment Market Value From Fiscal Year 1983 to Fiscal Year 1992

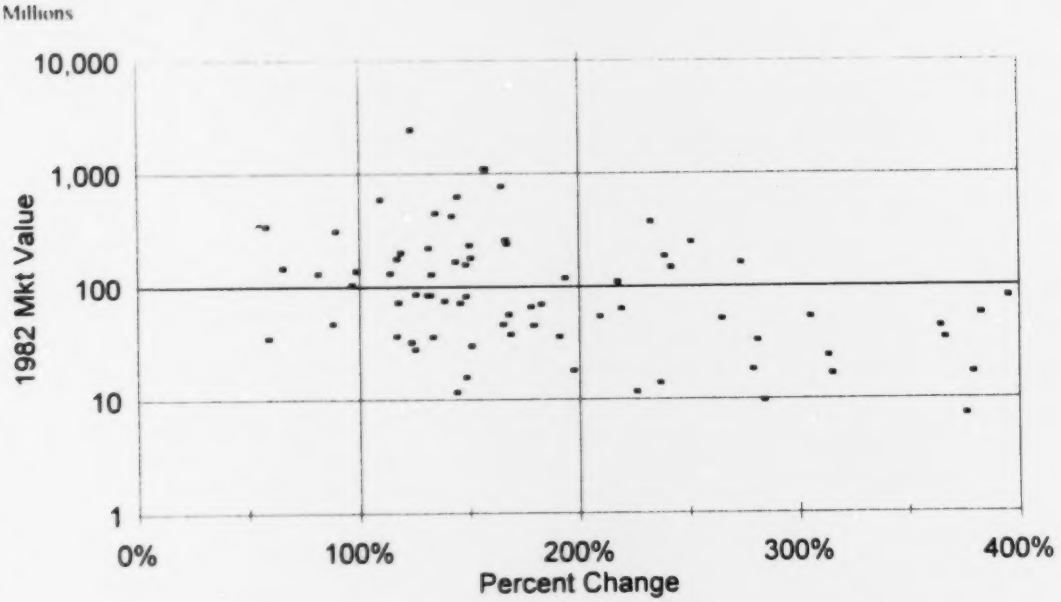

Chart 2

Endowment Surplus Analysis
Assumes All Gifts and Transfers Add to Surplus

Year	CPI-U YOY	Previous CPI Adjusted Net Mkt. Value	CPI Adjustment	CPI Adjusted Net Mkt. Value	Actual Mkt. Value	Surplus
1984	4.22%	145,000,000	6,000,000	151,000,000	170,000,000	19,000,000
1985	3.76%	151,000,000	6,000,000	157,000,000	190,000,000	33,000,000
1986	1.77%	157,000,000	3,000,000	160,000,000	200,000,000	40,000,000
1987	3.65%	160,000,000	6,000,000	166,000,000	205,000,000	39,000,000
1988	3.96%	166,000,000	7,000,000	173,000,000	220,000,000	47,000,000
1989	5.17%	173,000,000	9,000,000	182,000,000	240,000,000	58,000,000
1990	4.67%	182,000,000	9,000,000	191,000,000	275,000,000	84,000,000
1991	4.70%	191,000,000	9,000,000	200,000,000	300,000,000	100,000,000
1992	3.09%	200,000,000	6,000,000	206,000,000	315,000,000	109,000,000
1993	3.00%	206,000,000	6,000,000	212,000,000	330,000,000	118,000,000

CPI Adjustment =	(CPI-U) x (Previous CPI Adjusted Net Market Value)
CPI Adjusted Net Market Value =	(Previous CPI Adjusted Net Market Value) + (CPI Adjustment)
Surplus =	(Actual Market Value)-(CPI Adjusted Net Market Value)

Chart 3

Endowment Surplus Analysis
Assumes Gifts Fund New Programs and Transfers Add to Surplus

Year	CPI-U YOY	Previous CPI Adjusted Net Mkt. Value	CPI Adjustment	Gifts	CPI Adjusted Net Mkt. Value	Actual Mkt. Value	Surplus
1984	4.22%	145,000,000	6,000,000	3,000,000	154,000,000	170,000,000	16,000,000
1985	3.76%	154,000,000	6,000,000	3,000,000	163,000,000	190,000,000	27,000,000
1986	1.77%	163,000,000	3,000,000	4,000,000	170,000,000	200,000,000	30,000,000
1987	3.65%	170,000,000	6,000,000	4,000,000	180,000,000	205,000,000	25,000,000
1988	3.96%	180,000,000	7,000,000	4,000,000	191,000,000	220,000,000	29,000,000
1989	5.17%	191,000,000	10,000,000	5,000,000	206,000,000	240,000,000	34,000,000
1990	4.67%	206,000,000	10,000,000	5,000,000	221,000,000	275,000,000	54,000,000
1991	4.70%	221,000,000	10,000,000	6,000,000	237,000,000	300,000,000	63,000,000
1992	3.09%	237,000,000	7,000,000	6,000,000	250,000,000	315,000,000	65,000,000
1993	3.00%	250,000,000	7,000,000	6,000,000	263,000,000	330,000,000	67,000,000

Chart 4

Endowment Surplus Analysis
Assumes Gifts and Transfers Fund New Programs

Year	CPI-U YOY	Previous CPI Adjusted Net Mkt. Value	CPI Adjustment	Gifts	Transfers	CPI Adjusted Net Mkt. Value	Actual Mkt. Value	Surplus
1984	4.22%	145,000,000	6,000,000	3,000,000	15,000,000	169,000,000	170,000,000	1,000,000
1985	3.76%	169,000,000	6,000,000	3,000,000	10,000,000	188,000,000	190,000,000	2,000,000
1986	1.77%	188,000,000	3,000,000	4,000,000	0	195,000,000	200,000,000	5,000,000
1987	3.65%	195,000,000	7,000,000	4,000,000	(10,000,000)	196,000,000	205,000,000	9,000,000
1988	3.96%	196,000,000	8,000,000	4,000,000	1,000,000	209,000,000	220,000,000	11,000,000
1989	5.17%	209,000,000	11,000,000	5,000,000	(1,000,000)	224,000,000	240,000,000	16,000,000
1990	4.67%	224,000,000	10,000,000	5,000,000	15,000,000	254,000,000	275,000,000	21,000,000
1991	4.70%	254,000,000	12,000,000	6,000,000	3,000,000	275,000,000	300,000,000	25,000,000
1992	3.09%	275,000,000	8,000,000	6,000,000	(3,000,000)	286,000,000	315,000,000	29,000,000
1993	3.00%	286,000,000	9,000,000	6,000,000	(2,000,000)	299,000,000	330,000,000	31,000,000

CPI Adjustment =	(CPI-U) x (Previous CPI Adjusted Net Market Value)
CPI Adjusted Net Market Value =	(Previous CPI Adjusted Net Market Value) + (CPI Adjustment) + (Gifts) + (Transfers)
Surplus =	(Actual Market Value)-(CPI Adjusted Net Market Value)

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